

Message Text

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PAGE 01 CAIRO 07867 01 OF 02 091619Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----091641Z 097525 /41

R 091510Z MAY 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 4878
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMCONSUL ALEXANDRIA

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 7867

EXDIS

E.O. 11652: GDS
TAGS: EINV, ETRD, PFOR, EG
SUBJECT: STATUS FORD PROJECT - SIGNING OF MEMORANDUM OF AGREEMENT
BETWEEN GOE AND FORD REPS

REF: CAIRO 7553

SUMMARY: AMIDST CHARACTERISTIC GOE CONFUSION AND JURIS-
DICTIONAL DISPUTES, WILLIAMS/FREDERICKS SIGNED
WITH GOE A MEMORANDUM OF AGREEMENT WHICH PERMITS FORD TO
BEGIN CERTAIN PRELIMINARY ACTIVITIES IN EGYPT PENDING
FINALIZATION OF CONTRACT. DOCUMENT RESULTS FROM TALK
WITH FAHMY, WHO INSISTED CONTRACT SHOULD BE SIGNED AT
ONCE AND THAT HE HAD INSTRUCTED GAZARINE TO DO SO. NOTING
THERE STILL UNRESOLVED PROBLEMS, GAZARINE INSISTED EQUALLY
FIRMLY FAHMY HAD NO AUTHORITY INSTRUCT HIM. HIS SUPERIOR
WAS MININDUSTRY SHAHEEN. AFTER MUCH TELEPHONE BACK AND
FORTH, FAHMY AGREED CONTRACT STILL HAD TO BE FINALIZED, BUT
IN MEANTIME MEMORANDUM COULD BE SIGNED PERMITTING FORD
BEGIN OPERATIONS HERE. TEXT WORKED OUT WITH GAZARINE
LAST EVENING AND SIGNED THIS MORNING BEFORE WILLIAMS/
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FREDERICKS DEPARTURE FOR PARIS WHERE THEY MEET WITH
KAISSOUNI ON TUESDAY. DOCUMENT CONTAINS PROVISIO THAT
IT MUST BE APPROVED BY "USITABLE AUTHORITIES" ON BOTH
SIDES. ON FORD SIDE, THIS IS DETROIT OFFICE; ON EGYPTIAN
SIDE, APPROVING AUTHORITY STILL UNCLEAR. SINCE SHAHEEN
APPARENTLY REFUSES APPROVE DOCUMENT, IT WILL PROBABLY
WIND UP ON PRIMIN'S DESK FOR ACTION. FAHMY IS ATTEMPTING

CONTACT PRIMIN'S DESK FOR ACTION. FAHMY IS ATTEMPTING CONTACT PRIMIN ABOUT THE MATTER. ASSUMING DOCUMENT IS APPROVED, IT GIVES FORD WRITTEN INDICATION OF EGYPT'S INTENT ALLOW COMPANY OPERATE HERE AND IS DE FACTO LIFTING OF BOYCOTT FOR EGYPT. DOCUMENT COULD BE USEFUL IN CAPITAL SOLICITATION EFFORTS WITH OTHER ARAB STATES. END SUMMARY

1. WILLIAMS/FREDERICKS, ACCOMPANIED BY FORD EGYPTIAN REPRESENTATIVE, CALLED ON AMBASSADOR SATURDAY, MAY 7, TO BRIEF HIM ON PROPOSED STRATEGY. THEY WERE PARTICULARLY ANXIOUS MEET WITH FAHMY IN ORDER TO BRING HIM UP TO DATE ON PROJECT AND TO URGE GOE ACTION TO ENABLE BOYCOTT TO BE LIFTED ON FORD. IF POSSIBLE, THEY HOPED TO GET SOME SORT OF A SIGNED DOCUMENT ALLOWING FORD TO RESUME OPERATIONS IN EGYPT. SUCH DOCUMENT WOULD BE DE FACTO EVIDENCE THAT GOE HAS LIFTED BOYCOTT AND WOULD FACILITATE FORD'S CAPITAL SOLICITATION EFFORTS IN ARAB STATES. AMBASSADOR BRIEFED WILLIAMS/FREDERICKS ON OUR LATEST UNDERSTANDING OF FAHMY'S POSITION. WHILE THEY WERE IN AMBASSADOR'S OFFICE, HE RECEIVED CALL FROM FAHMY'S OFFICE ASKING FOR A COPY OF THE "CONTRACT" DOCUMENT. FAHMY WISHED TO STUDY IT BEFORE MEETING WITH WILLIAMS/FREDERICKS FOLLOWING DAY. FAHMY WAS SENT NECESSARY MATERIAL.

2. FOLLOWING DAY, SUNDAY, MAY 8, WILLIAMS/FREDERICKS MET WITH FAHMY. ACCORDING TO THEIR LATER ACCOUNT OF THE MEETING, FAHMY WANTED TO KNOW IF FORD WAS READY TO SIGN A "CONTRACT." WHEN WILLIAMS/FREDERICKS POINTED OUT SOME PROBLEMS REMAINED TO BE RESOLVED, FAHMY SAID HE WISHED TO GO AHEAD AT ONCE. CONFIDENTIAL

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FAHMY INSISTED ONLY HE COULD APPROVE FORD CONTRACT AND THAT UNLESS FORD SIGNED "CONTRACT" BEFORE WILLIAMS/FREDERICKS LEFT MONDAY MORNING, HE WOULD REGARD THIS AS EVIDENCE DISINTEREST. WITH SIGNING, FORD WOULD BE ALLOWED TO OPERATE IN EGYPT AND THIS WOULD IN EFFECT LIFT BOYCOTT. OTHER ARAB STATES WOULD SOON FOLLOW SUIT. HE REPRIMANDED FORD REPRESENTATIVE FOR HAVING SOUTH CONTACT WITH ALEXANDRIA BOYCOTT OFFICE AND EMPHASIZED THAT FORD SHOULD HAVE NOTHING TO DO WITH BOYCOTT OFFICE. HE WOULD TAKE CARE OF MAHGOUB AT APPROPRIATE TIME. MOREOVER, HE HAD BEEN IN TOUCH WITH GAZARINE AND HAD "INSTRUCTED" LATTER TO SIGN A CONTRACT. SIGNING SHOULD TAKE PLACE 0830 MONDAY MORNING.

3. STILL REELING FROM THIS ENCOUNTER, WILLIAMS/FREDERICKS MET WITH AMBASSADOR IMMEDIATELY AFTERWARDS TO BRIEF HIM ON MEETING. THEY WERE FRANKLY UNCERTAIN WHERE THEY STOOD AND WHAT THEY WERE SUPPOSED TO DO. FROM AMBASSADOR'S OFFICE THEY TELEPHONE GAZARINE TO INQUIRE RE HIS UNDERSTANDING OF STATE OF PLAY. GAZARINE ACKNOWLEDGED FAHMY HAD TELE-

PHONE HIM, BUT INSISTED HE HAD NO AUTHORITY TO SIGN A CONTRACT. THERE WERE STILL OUTSTANDING PROBLEMS TO BE RESOLVED, INCLUDING WHICH GOE ORGANIZATION WOULD PROVIDE EGYPTIAN SHARE OF CAPITAL. IN ANY CASE, FAHMY HAD NO AUTHORITY TO INSTRUCT HIM TO SIGN.

4. SINCE THIS SEEMED TO LEAVE THE MATTER DANGLING ONCE AGAIN, AMBASSADOR CALLED FAHMY'S AIDE, BARADA, WHO HAD BEEN PRESENT AT MEETING, TO ASCERTAIN HIS UNDERSTANDING OF WHAT FAHMY HAD TOLD GAZARINE (FAHMY WAS BUSY WITH IRAQI AMBASSADOR). AFTER SOME EQUIVOCATION, BARADA SAID HE WOULD HAVE TO CHECK WITH FAHMY BUT CALLED BACK SHORT TIME LATER TO SAY HE HAD BEEN IN TOUCH WITH GAZARINE.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----091702Z 097636 /41

R 091510Z MAY 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 4879
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMCONSUL ALEXANDRIA

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LATTER HAD REITERATED CONTENTION THAT HE HAD NO AUTHORITY TO SIGN CONTRACT. IN ANY CASE, GAZARINE WAS SCHEDULED TO MEET WITH WILLIAMS/FREDERICKS LATER IN THE EVENING AND COULD DISCUSS THE MATTER FURTHER. SHORTLY AFTERWARDS, AMBASSADOR RECEIVED A SECOND CALL FROM BARADA TO SAY THAT HE HAD NOW TALKED WITH FAHMY ABOUT THE MATTER. FAHMY HAD TELEPHONED GAZARINE AGAIN AND HAD AGAIN BEEN TOLD THE STATUS OF CONTRACT NEGOTIATIONS. FAHMY HAD THEREUPON "INSTRUCTED" GAZARINE TO NEGOTIATE FINAL CONTRACT AND WHEN THAT WAS COMPLETED, GOE WOULD DECIDE ON WHO SIGNS ON EGYPTIAN SIDE, PROBABLY THE MINISTER OF INDUSTRY. (TODAY FAHMY SAID EITHER THE MINISTER OF ECONOMY OR MINISTER OF ECONOMICS.) IF

CONTRACT COULD NOT BE CONCLUDED BY THIS MORNING, A "MEMORANDUM" COULD BE SIGNED WHICH WOULD ALLOW FORD TO BEGIN OPERATIONS IN EGYPT PENDING COMPLETION OF THE CONTRACT. SUCH A MEMORANDUM COULD BE DRAWN UP DURING THE WILLIAMS/FREDERICKS/GAZARINE MEETING LATER IN THE DAY. AMBASSADOR CONVEYED FAHMY'S MESSAGE TO WILLIAMS.

5. THIS MORNING WILLIAMS TELEPHONED TO SAY "MEMORANDUM
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OF AGREEMENT" FOR IMPLEMENTATION OF FORD PROJECT IN EGYPT HAD INDEED BEEN DRAWN UP LAST NIGHT WITH GAZARINE. DOCUMENT DESCRIBES PROJECT AND NOTES IT WAS APPROVED BY GOE INVESTMENT AUTHORITY. KEY SENTENCE IS THAT "AS THE RESULT OF THE OBTAINED APPROVAL, FORD MOTOR COMPANY CAN START CONDUCTING OPERATIONS IN EGYPT." IT THEN DESCRIBES ACTIONS WHICH HAVE BEEN AGREED UPON BY BOTH SIDES (FORMATION OF JOINT VENTURE COMPANY, FORMATION OF FORD SALES COMPANY INCORPORATED IN EGYPT TO HANDLE SALES ON COMMISSION BASIS IN MIDDLE EAST, ECT.). PARTIES AGREE TO PROCEED WITH "BEST EFFORTS" TO COMPLETE START-UP AND COMPLETION OF VARIOUS ITEMS CITED WITHIN PERIOD OF SIX MONTHS. FINAL ARTICLE NOTES THAT DOCUMENT WILL "BECOME OPERATIVE ONLY UPON APPROVAL BY THE SUITABLE AUTHORITIES ON BOTH SIDES." WILLIAMS THOUGHT DOCUMENT LEGALLY SOUND, BUT BECAUSE OF INABILITY CONTACT DETORIT ON SUNDAY, HAD SOME HISTATION ABOUT SIGNING IT. HE CONSIDERED PROCEEDING TO PARIS TO MEET WITH KAISOUNI ON TUESDAY AND THEN RETURNING TO SIGN THE DOCUMENT.

6. ASKED FOR HIS VIEWS, AMBASSAODR NOTED THAT FAHMY HAD WARNED THAT FAILURE TO SIGN DOCUMENT BY THE TIME WILLIAMS/FREDERICKS LEFT WOULD BE VIEWED AS DISINTEREST. SINCE FAHMY IS PRINCIPLA EGYPTIAN OFFICIAL CHARGED WITH HANDLING BOYCOTT PROBLEM, WILLIAMS WOULD WANT TO CONSIDER WHETHER COURSE OF ACTION HE PROPOSED MIGHT BE VIEWED ADVERSELY BY FAHMY. MATTER WAS, OF COURSE, ENTIRELY FOR WILLIAMS TO DECIDE, BUT HE WOULD NOT UNDER-ESTIMATE FAHMY'S POWER AND ABILITY TO BLOCK PROJECT. WILLIAMS SUBSEQUENLT SENT OUROUSSOFF TO INFORM US THAT HE AND GAZARINE HAD SIGNED MEMORANDUM BEFORE WILLIAMS/FREDERICKS DEPARTURE FOR PARIS. (COPY WAS GIVEN US AND WILL BE POUCHED NEA/EGY.) WILLIAMS, ACCORDING TO OURSOUFFOFF, WONDERED WHO ON EGYPTIAN SIDE WOULD APPROVE THE DOCUMENT AS REQUIRED BY FINAL CLAUSE. ON FORD SIDE, DETOIT MANAGEMENT WOULD DO SO. AMBASSADOR, WHO WAS MEETING WITH FAHMY LATER IN THE DAY, UNDERTOOK TO
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QUERY HIM ON THIS POINT.

7. FAHMY HAD JUST RECEIVED THE DOCUMENT FROM GAZARINE, BUT HAD OBVIOUSLY NOT YET READ IT. ASKED WHO WOULD APPROVE IT ON EGYPTIAN SIDE, FAHMY'S RESPONSE WAS THAT THE DOCUMENT WOULD BE APPROVED WHEN THE CONTRACT IS FINALLY SIGNED. THIS MIGHT, HE ESTIMATED, TAKE UP TO TEN DAYS. IN THE MEANTIME, FORD COULD PROCEED WITH PRELIMINARY WORK ON BASIS SIGNED MEMORANDUM. AMBASSADOR POINTED OUT THAT MEMORANDUM SPECIFICALLY REQUIRES APPROVAL BY SOME GOE OFFICIAL SENIOR TO GAZARINE BEFORE IT BECOMES OPERATIVE. FAHMY HAD DIFFICULTY FOCUSING ON THIS ASPECT AND KEPT REVERTING TO CONTRACT SIGNING. HE FINALLY UNDERTOOK TO CALL PRIMIN TO ASK HIS VIEWS ON WHO SHOULD APPROVE THE DOCUMENT. HE PROMISED TO LET AMBASSADOR KNOW. OURUSOFF SUBSEQUENTLY INFORMED US THAT GAZARINE HAD TOLD HIM THAT MININDUSTRY SHAHEEN, WHEN APPRISED OF DOCUMENT, REFUSED TO APPROVE IT; HENCE, DOCUMENT WILL PROBABLY WIND UP ON PRIMIN'S DESK FOR APPROVAL.

8. COMMENT: DESPITE TYPICAL EGYPTIAN CONFUSION AND JURISDICTIONAL SQUABBLING, FORD NOW AT LEAST HAS SIGNED DOCUMENT AUTHORIZING IT TO BEGIN OPERATIONS IN EGYPT EVEN BEFORE SIGNING FORMAL CONTRACT -- ASSUMING, OF COURSE, IT IS APPROVED. THIS IS CONSIDERABLE STEP FORWARD AND SHOULD BE HELPFUL TO FORD IN ITS CAPITAL SOLICITATION EFFORTS.

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Message Attributes

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Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
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